



ARIZONA STATE SENATE
Fifty-Second Legislature, Second Regular Session

AMENDED
FACT SHEET FOR H.B. 2614

cooperative associations

Purpose

Adopts guidelines for membership composition, business filing and authorized activities for cooperative associations.

Background

Current statute allows five or more persons engaged in the production of agricultural products to form a non-profit cooperative association without capital stock. Cooperative associations are not permitted to make profits for themselves or their members, unless their members are producers (A.R.S. § 10-2003).

Articles of incorporation must be filed to establish an association. Current statute requires that they be filed specifying: 1) the name of the association; 2) the purposes for which it is formed; 3) the place where business will be transacted; 4) the term for which it is to exist; and 5) the number of directors and their term length (A.R.S. § 2004).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Includes members that are producing, manufacturing, marketing, distributing or selling products or services in permitted membership of a cooperative association.
2. Includes manufacturing in permitted activities for products or services and extends products to include all products, rather than just agricultural products.
3. Allows five or more small businesses, individuals or entities engaged in the marketing and distribution of manufactured goods to form a cooperative association.
4. Allows cooperative associations to make profits for themselves or their members.
5. Adds requirements for filing articles of incorporation to include a statement indicating whether the cooperative association will be a for-profit or nonprofit association.

6. Requires for-profit cooperative associations that will have capital stock to include a statement when filing articles of incorporation indicating the number of shares that the cooperative association is authorized to issue.
7. Requires all activities related to stock or bond ownership to comply with the rules and regulations of the United States Securities and Exchange Commission.
8. Allows cooperative associations to do the following:
 - a) engage in any activity in connection with the marketing or distribution of manufactured goods;
 - b) engage in any activity involving the harvesting, processing, storing, handling or use of products for the production, manufacturing and sale of products or services or the providing of labor; and
 - c) raise equity from nonprofit investors and patron members.
9. Specifies that investors are allowed to be members of unspecified cooperative associations.
10. Applies the state regulation of the sale of securities to cooperative associations if:
 - a) the cooperative association is formed with capital stock; or
 - b) the cooperative association raises equity from nonprofit investors and patron members.
11. Extends requirements for members of a domestic cooperative association to include any of the following:
 - a) five or more persons engaged in the production of agricultural products;
 - b) five or more small businesses, individuals or entities engaged in the marketing and distribution of manufactured goods for import and export purposes; or
 - c) five or more persons for the purpose of producing, manufacturing and selling goods or services.
12. Prescribes filing, service and copying fee structure and procedures for for-profit and nonprofit cooperative associations.
13. Defines *marketing agreement* or *marketing contract* as any agreement entered into between a cooperative association and its members, by the terms of which a subscribing grower, producer, manufacturer, marketer, distributor or seller and all other growers, producers, manufacturers, marketers, distributors or sellers signing similar agreements, agree to sell their agricultural products or services, goods for import or export purposes or hydroponic greenhouses to or through such cooperative association.
14. Makes technical and conforming changes.
15. Becomes effective on the general effective date.

Amendment Adopted By Committee

1. Removes hydroponic greenhouses from definitions of *marketing agreement* and *marketing contract*.

2. Makes technical changes.

House Action

RED	2/16/16	DPA	7-0-0-1
3 rd Read	3/1/16		58-1-1

Senate Action

CWD	3/14/16	DPA	7-0-0-1
NR	3/14/16	DP	6-0-1-0

Prepared by Senate Research

March 15, 2016

GH/rf